

BETTER WORLD FUND, INC.

Financial Statements

December 31, 2003 and 2002

BETTER WORLD FUND, INC.

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Report of Independent Auditors

To the Board of Directors of
Better World Fund, Inc.

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Better World Fund, Inc. ("BWF"), at December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of BWF's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

June 4, 2004, except for Note 7 as to which the date is July 14, 2004

BETTER WORLD FUND, INC.
Statements of Financial Position
December 31, 2003 and 2002

	2003	2002
Assets		
Cash and cash equivalents	\$ 14,558,959	\$ 8,186,874
Accounts receivable	26,651	334,028
Property and equipment, net	<u>81,681</u>	<u>30,720</u>
Total assets	<u>\$ 14,667,291</u>	<u>\$ 8,551,622</u>
Liabilities and Net Assets (Deficit)		
Accounts payable and accrued expenses	\$ 392,916	\$ 27,367
Due to affiliate	8,487,550	6,199,047
Unexpended grants, net	<u>5,188,382</u>	<u>5,350,855</u>
Total liabilities	14,068,848	11,577,269
Net assets (deficit)		
Unrestricted net assets (deficit)	(596,171)	(3,958,277)
Temporarily restricted net assets	<u>1,194,614</u>	<u>932,630</u>
Total net assets (deficit)	598,443	(3,025,647)
Total liabilities and net assets (deficit)	<u>\$ 14,667,291</u>	<u>\$ 8,551,622</u>

The accompanying notes are an integral part of these financial statements.

BETTER WORLD FUND, INC.
Statements of Activities and Changes in Net Assets (Deficit)
For the years ended December 31, 2003 and 2002

	2003	2002
Change in unrestricted net assets (deficit)		
Revenues:		
Contributions from related party	\$ 19,864,545	\$ 16,000,000
Other contributions	11,223	239
Interest and dividends	78,157	108,266
Total unrestricted revenues	<u>19,953,925</u>	<u>16,108,505</u>
Net assets released from restriction	5,505,404	4,852,727
Total unrestricted revenues and other support	<u>25,459,329</u>	<u>20,961,232</u>
Expenses		
Program services	20,828,794	16,000,360
General and administrative	574,047	248,560
Fundraising	694,382	243,935
Total expenses	<u>22,097,223</u>	<u>16,492,855</u>
Change in unrestricted net assets	3,362,106	4,468,377
Unrestricted net assets (deficit), beginning of year	<u>(3,958,277)</u>	<u>(8,426,654)</u>
Unrestricted net assets (deficit), end of year	<u>(596,171)</u>	<u>(3,958,277)</u>
Change in temporarily restricted net assets		
Contributions from third parties	5,767,388	5,785,357
Net assets released from restriction	<u>(5,505,404)</u>	<u>(4,852,727)</u>
Change in temporarily restricted net assets	261,984	932,630
Temporarily restricted net assets, beginning of year	932,630	-
Temporarily restricted net assets, end of year	<u>1,194,614</u>	<u>932,630</u>
Change in net assets	3,624,090	5,401,007
Net assets (deficit), beginning of year	<u>(3,025,647)</u>	<u>(8,426,654)</u>
Net assets (deficit), end of year	<u>\$ 598,443</u>	<u>\$ (3,025,647)</u>

The accompanying notes are an integral part of these financial statements.

BETTER WORLD FUND, INC.
Statements of Cash Flows
For the years ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Change in net assets	\$ 3,624,090	\$ 5,401,007
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	31,715	17,979
Donated securities	(19,864,545)	-
Loss on disposal of property and equipment	215	-
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivables	307,377	(329,063)
Increase (decrease) in accounts payable and accrued expenses	365,549	(42,304)
Decrease in unexpended grants	(162,473)	(543,182)
Increase in due to affiliate	2,288,503	3,388,565
Net cash (used in) provided by operating activities	<u>(13,409,569)</u>	<u>7,893,002</u>
Cash flows from investing activities		
Proceeds from sale of securities	19,864,545	-
Proceeds from disposal of property	-	372
Purchases of property and equipment	<u>(82,891)</u>	<u>(16,258)</u>
Net cash provided by (used in) investing activities	<u>19,781,654</u>	<u>(15,886)</u>
Net increase in cash and cash equivalents	6,372,085	7,877,116
Cash and cash equivalents, beginning of year	<u>8,186,874</u>	<u>309,758</u>
Cash and cash equivalents, end of year	<u>\$ 14,558,959</u>	<u>\$ 8,186,874</u>

The accompanying notes are an integral part of these financial statements.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2003 and 2002

1. Description of the Organization

In March 1998, R.E. (Ted) Turner established Better World Fund, Inc. ("BWF") and its sister organization, United Nations Foundation, Inc. ("UNF"), to support the efforts of the United Nations ("UN"). BWF was formed to support charitable causes through raising funds from the general public to enable it to carry on a discretionary grant-making program; and educating the public regarding the UN and its work in the areas of: 1) women and population, 2) the environment, 3) children's health, and 4) peace, security and human rights.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Contributions

BWF recognizes contributions and unconditional promises to give as revenue in the period received or promised, whichever is earlier. All contributions are considered to be unrestricted unless specifically restricted by the donor. Contributions are reported as temporarily restricted if they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a purpose restriction is accomplished or a stipulated time restriction ends. Upon expiration, temporary restricted net assets are reclassified to unrestricted net assets in the statement of activities and changes in net assets (deficit) as net assets released from restrictions.

Conditional promises to give are recognized when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

Unconditional promises to give expected to be received within one year are recorded at net realizable value. Unconditional promises to give that are expected to be received in future years are recorded at the present value of their estimated future cash flows using discount rates approximating the rate of return on U.S. government securities with similar maturities.

BWF Administers the Adopt-a-Minefield program whereby, BWF has the primary role in fundraising efforts and provides acknowledgements to the donors. In addition, BWF entered into a contract with the United Nations Development Programme ("UNDP") to perform the activities related to mine action programs. BWF has full discretionary power to choose the beneficiary and communicates this right to redirect to the donor. Since BWF has discretion to choose the beneficiary of the assets, in accordance with Statement of Financial Accounting Standards No. 136 "*Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*," BWF recorded \$4,682,388 and \$3,154,993 in 2003 and 2002, respectively, as contribution revenue in the statement of activities and changes in net assets (deficit).

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2003 and 2002

Grants

The amount for which BWF is obligated is recorded when the project has been approved by its Board of Directors. Grants contingent upon third party funding or other conditions are recognized as the conditions are met.

Grants payable within one year are recorded at net realizable value. Grants payable in future years are recorded at the present value of their estimated future cash flows using discount rates approximating the rate of return on U.S. government securities with similar maturities.

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments purchased with original maturities of three months or less. Cash equivalents consist of funds held in a money market account which are available for immediate withdrawal without penalty.

Property and equipment

Property and equipment are recorded at cost and depreciated using the half-year convention over the estimated useful lives ranging from three to seven years.

Investments – securities

Investments are recorded at fair value based on quoted market prices. There were no investments held as of December 31, 2003 and 2002, respectively.

Donated gifts of securities are recorded based on estimated fair value at the date the donation is received or at the realized value of the security if sold within seven days of the donation date.

Income Taxes

BWF has received a ruling from the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code as a public charity.

Concentration of credit risk

Financial instruments, which potentially subject BWF to a concentration of credit risk, consist of demand deposits placed with financial institutions. BWF places its cash and cash equivalents with high credit quality financial institutions. At times such balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit, however, management believes the risk of loss in these situations to be minimal.

Use of estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2003 and 2002

3. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2003</u>	<u>2002</u>
Leasehold improvements	\$ 71,009	\$ 12,215
Equipment and software	131,049	117,487
Furniture and fixtures	6,673	4,788
	<u>208,731</u>	<u>134,490</u>
Less: Accumulated depreciation	<u>(127,050)</u>	<u>(103,770)</u>
Total property and equipment, net	<u>\$ 81,681</u>	<u>\$ 30,720</u>

4. Unexpended Grants

Unexpended grants at December 31 are due over a period of several years and are payable as follows:

	<u>2003</u>	<u>2002</u>
Less than one year	\$ 5,188,382	\$ 5,132,928
One year to five years	-	225,000
	<u>5,188,382</u>	<u>5,357,928</u>
Less: Discount	<u>-</u>	<u>(7,073)</u>
Total unexpended grants, net	<u>\$ 5,188,382</u>	<u>\$ 5,350,855</u>

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 have been restricted by donors for the following purposes:

	<u>2003</u>	<u>2002</u>
Adopt-A-Minefield	\$ 1,174,642	-
AIDS Relief in Africa	-	637,500
Energy Future Campaign	-	295,000
Other	19,972	130
	<u>\$ 1,194,614</u>	<u>\$ 932,630</u>

BETTER WORLD FUND, INC.
Notes to the Financial Statements
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6. Related Parties

Contributions

Gift income in the amount of \$19,864,545 and \$16,000,000 in 2003 and 2002, respectively, was received through the donation of cash and securities from Ted Turner, Chairman of the BWF Board of Directors.

During 2003 and 2002, BWF also received contributions from an affiliated organization of \$250,000.

Grants

BWF approved grants totaling \$5,734,362 and \$890,000, respectively, to affiliated organizations during 2003 and 2002. At December 31, 2003 and 2002, unexpended grants of \$2,790,931 and \$637,500, respectively, remained payable to affiliated organizations.

Cost-sharing agreement

The United Nations Foundation, Inc. incurs certain costs of operations which are shared by BWF, such as personnel, rent, travel and other operating costs. UNF and BWF entered into a cost-sharing agreement in 1998 whereby operating costs will be shared based upon the relative portions of annual grant making, employee time incurred, or labor costs, depending on the type of expenditure. In 2003 and 2002, respectively, \$1,591,019 and \$753,571 of cost was allocated from UNF to BWF and is recorded in due to affiliate. At December 31, 2003 and 2002, the due to affiliate payable was \$8,487,550 and \$6,199,097, respectively.

7. Commitments

On December 31, 2003, BWF had obligations in excess of its cash resources. On July 14, 2004, BWF received approximately \$15,475,980 in contribution from Ted Turner, Chairman of the BWF Board of Directors, which provides BWF with the resources to continue its operations through January 2005.